

Message Text

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TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 227369 TOSEC 130065

NODIS

E.O. 11652: GDS

TAGS: OVIP KISSINGER, HENRY A., ENRG, IT

SUBJECT: BRIEFING MEMO FOR THE SECRETARY:

STATUS OF ITALIAN-US ENERGY WORKING GROUP

FOR THE SECRETARY FROM ENDERS

1. WE AGREED WITH THE ITALIANS LAST MARCH TO ESTABLISH A BILATERAL ENERGY WORKING GROUP (EWG). THE ITALIANS SEEK 1) US ASSISTANCE FOR THEIR AMBITIOUS AND POLITICALLY IMPORTANT NUCLEAR POWER PROGRAM (20 REACTORS BY 1985 AT AN EXPECTED COST OF \$16 BILLION); AND 2) VISIBLE EVIDENCE OF A US COMMITMENT TO THE MORO GOVERNMENT WHICH THE CHRISTIAN DEMOCRATS CAN USE TO BOLSTER THEIR DOMESTIC POSITION OVER THE NEXT SEVERAL MONTHS.

2. OUR IMMEDIATE OBJECTIVE IS TO OBTAIN ITALIAN ACQUIESCENCE TO THE MINIMUM SAFEGUARD PRICE AGREEMENT IN THE IEA. BUT THIS BILATERAL ENERGY EFFORT ALSO REFLECTS OUR MORE GENERAL INTEREST IN GIVING AS MUCH SUPPORT AS POSSIBLE TO THE GOVERNMENT DURING THIS CRITICAL PERIOD IN ITALIAN POLITICS. OUR ABILITY TO PROVIDE CONCRETE ASSISTANCE TO THE ITALIANS IS LIMITED. BUT THE ITALIANS ARE MORE
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INTERESTED IN THE FORM THAN IN THE SUBSTANCE OF THIS

BILATERAL EXERCISE. WE HAVE AGREED THAT WE WILL WORK OVER THE NEXT FEW MONTHS TO COME UP WITH AN OVERALL PACKAGE, WITH AS MUCH SUBSTANCE AS POSSIBLE, WHICH THE ITALIAN GOVERNMENT CAN USE TO DEMONSTRATE BOTH THAT THEIR NUCLEAR PROGRAM IS CREDIBLE AND THAT THE GOVERNMENT CAN OBTAIN

SOME FORM OF "SPECIAL" CONSIDERATION FROM THE US. THIS PACKAGE COULD THEN BE UNVEILED SOME TIME EARLY NEXT SPRING WHEN THE ITALIANS BELIEVE IT WOULD BE MOST USEFUL POLITICALLY. IN THE MEANTIME, THE ITALIANS HAVE BEGUN TO TAKE A MORE POSITIVE POSITION ON THE MSP IN THE IEA.

3. WE HAVE HAD 3 MEETINGS OF THE EWG, THE MOST RECENT IN WASHINGTON ON SEPTEMBER 5. THE TALKS HAVE FOCUSED ON 3 MAJOR AREAS IN WHICH THE ITALIANS SEEK ASSISTANCE FOR THEIR NUCLEAR PROGRAM.

(A) ENRICHED URANIUM AND NUCLEAR TECHNOLOGY: THE ITALIANS WANT CLASSIFIED US ENRICHMENT AND REPROCESSING TECHNOLOGY AND HAVE CITED YOUR OFFER ON TECHNOLOGY SHARING AT THE WASHINGTON ENERGY CONFERENCE. WE HAVE MADE CLEAR TO THEM THAT OUR ABILITY TO MOVE ON THE GOVERNMENT-TO-GOVERNMENT LEVEL IN THIS AREA WILL BE EXTREMELY LIMITED UNTIL THE FATE OF THE ADMINISTRATION'S PROPOSAL ON THE PRIVITIZATION OF NEW US ENRICHMENT CAPACITY HAS BEEN RESOLVED IN THE CONGRESS. HEARINGS ON THE PRESIDENT'S PROPOSAL ARE SCHEDULED TO BEGIN THIS FALL, WITH AN ANTICIPATED DECISION NEXT SPRING. IN THE MEANTIME, WE ARE PUTTING THE ITALIANS IN CONTACT WITH THE US PRIVATE FIRMS WHO WOULD BECOME THE CHANNEL FOR TECHNOLOGY SHARING ONCE CONGRESS HAS AUTHORIZED THEM TO CONSTRUCT NEW US ENRICHMENT PLANTS. WE HAVE ALSO AGREED TO CARRY OUT LIMITED EXCHANGES OF TECHNICIANS WITH THE ITALIANS.

(B) NATURAL URANIUM: THE ITALIANS FEAR THAT AN EMERGING SHORTAGE OF NATURAL URANIUM COULD BECOME AN OBSTACLE TO THE SUCCESS OF THEIR NUCLEAR PROGRAM. THEY SEEK SOME FORM OF USG GUARANTEE ON ACCESS TO US NATURAL URANIUM SUPPLIES. WE ARE PREVENTED BY EXISTING LEGISLATION FROM GIVING ANY SUCH FORMAL COMMITMENT. WE HAVE CONFIDENTIAL

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PERSUADED ERDA TO OFFER A "BEST EFFORTS" COMMITMENT TO THE ITALIANS. UNDER THIS COMMITMENT, ERDA WOULD PROMISE TO ACT AS AN INTERMEDIARY IN HELPING THE ITALIANS FIND NATURAL URANIUM IN CASE THEY ENCOUNTER A SHORTAGE. THE ITALIANS RECOGNIZE THAT THE ERDA OFFER CONSTITUTES A SPECIAL CONSIDERATION WHICH WE HAVE NOT EXTENDED TO ANYONE ELSE. NEVERTHELESS, I ANTICIPATE THEY WILL CONTINUE TO PRESS FOR SOME TYPE OF FORMAL COMMITMENT ON ACCESS TO

US URANIUM.

(C) FINANCING: THE ITALIANS HAVE ASKED FOR SPECIAL EXIM BANK ASSISTANCE IN FINANCING THEIR NUCLEAR PROGRAM. THEY WOULD LIKE THE EXIM BANK (1) TO PROVIDE AN ADVANCE COMMITMENT ON THE ENTIRE PROGRAM RATHER THAN SIMPLY CONSIDERING FINANCING REQUESTS ON THE PLANT-BY-PLANT BASIS WHICH IS EXIM'S USUAL PROCEDURE; AND (2) TO LEAD A CONSORTIUM OF PRIVATE BANKS TO RAISE FINANCING FOR THOSE COSTS WHICH THE EXIM CANNOT FINANCE DIRECTLY. I TALKED TO BILL CASEY ON THIS, AND HE AGREED TO GO SOMEWHAT BEYOND THE TRADITIONAL EXIM BANK POSITION FOR ITALY. THE EXIM WILL WORK DIRECTLY, FIRST WITH THE ITALIANS, AND THEN WITH THE MAJOR BANKS SELECTED BY THE ITALIANS, TO DESIGN A COMPLETE FINANCING PACKAGE FOR THE OVERALL PROGRAM. THE EXIM WOULD NOT TECHNICALLY BE IN THE ROLE OF A CONSORTIUM LEADER, BUT WOULD CLEARLY BE GIVING THE ITALIANS SPECIAL ATTENTION. I WILL FOLLOW THIS UP WITH CASEY'S SUCCESSOR. ROBINSON

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